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CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

COUNTRY China
25X1A

DATE:

INFO. See below

SUBJECT [REDACTED]

DIST. 15 August 1947

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PAGES 3

ORIGIN [REDACTED]

SUPPLEMENT

1. There is a large broadcasting station on Nan San Shan Tao (Island) (121-50, 38-53). Underwater cables connect the island to the Kuantung Peninsula.

2. The Inspection Group was taken (? escorted by Soviet officials) to the Churin Department Store in Dairen; all price tags looked new, indicating that certain preparations had been made to mislead the Inspection Group. Prices quoted were equivalent to prices prevailing in Mukden. Approximately 30% of the foreign stores are in operation and 70% of the local (? Chinese-owned) stores were open.

3. In Dairen a Sino-Soviet Fishery Company has been established jointly by the Soviets and the Chinese Communists. The company uses forty-nine fishing vessels, of which five are said to have been captured from the Chinese Nationalists near Tsingtao. (Shanghai Note: See SO-6667 on the Soviet Fishery Co.)

4. In Dairen the Chinese Communists have established forty trading companies. These companies are storing stocks of sugar, salt, and cloth which will be exchanged for foodstuffs from the Soviet-sponsored North Korea Trading Bureau. Four Soviet ships are now available for this trade.

5. There are two munition factories supplying the Chinese Communists in Dairen. One, the Chung Shan Rifle Factory, is east of the East Railway Station of Shashokou (121-35, 38-55). The director of the factory is CHIN Yeh (金業), and the vice director is CHEN Tung (震東). There are two sub-plants of this factory near the East Railway Station of Nanshakou (121-34, 38-54) in Dairen making artillery shells.

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NO CHANGE in Class. ☒

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6. The Dairen Machine Tool Factory is making copies of German automatic rifles under the guidance of Japanese technicians. 10,000 rifles have been produced since May 1946. The quality of these rifles is poor because of inferior steel and intentional mistakes by the workmen. The rifles are useless after firing thirty to forty rounds.
 7. The Soviets are now preparing to evacuate Dairen; the program of evacuation is well-planned and the following has been observed as part of this program:
 - a. The Dairen shipbuilding yard and repair docks have been burned. Electrical equipment and other machinery within the yard have been either destroyed or removed.
 - b. All important machines have been carried away, including 200 locomotives, 300 passenger cars and 2-3,000 freight cars (see paragraph 19).
 - c. Other important factories and buildings are being destroyed (see paragraphs 11, 15-16).
- 25X1X Some destruction has taken place in the water and electric power stations.

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8. Many of the Cooperative Societies (stores at which people could buy daily necessities) established by the Chinese Communists in Dairen have been closed. (See paragraph 2)

9. Since the Soviets repaired the Dairen Railway Factory, over 100 freight cars have been produced; these were shipped to North Korea in early May 1947. At the present time the factory is manufacturing boilers. The factory is guarded by 30 Soviet soldiers under the command of Captain Minoni (Chinese phoneticization).
10. The broadcasting station in Dairen is to be moved to Port Arthur.
11. The Soviets are stripping and destroying the factories in Dairen. The machinery has been sent to North Korea, while some of the steel and iron has been shipped to Chefoo.
12. A 5,000 kilowatt generator has been shipped from Shihho (121-52, 39-20) to Port Arthur.
13. A secret workshop is being constructed in Laotiehshan (121-10, 38-44) by the Soviets.
14. The Chinese Communists have organized peoples' associations in Changlingshihtun (121-18, 38-52), Lungtoun (121-18, 38-52), Shuangtaikou* (121-70, 38-58) and Dairen to buy rice, flour and livestock which will be exchanged for Soviet weapons. In March 1947 a large shipment of food was received in Dairen from Chefoo. The Chinese Communists exchanged this food for Soviet weapons. *Shuangtaikoutun
15. In Dairen the large railway factory at Hsishahokou (西沙河口)* could formerly produce one locomotive every three months; in the factory there were approximately three thousand machines and an electrically-controlled turn-table. The most important equipment was taken away some time ago. (See paragraph 9).
* Hsishahokou 121-34, 38-55

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16. In May 1946 certain types of heavy machinery were turned over to the Chinese Communists by the Soviets for the production of light and heavy machine guns, ammunition, mortar shells and automatic rifles. The Chinese Communists secretly transported this machinery from Dairen by junks to Tangku; ultimate destination and whether machinery is being used now are unknown. About 10% of the factories in Dairen have been turned over to the Chinese Communists by the Soviets for the manufacture of weapons and ammunition. * [REDACTED] Note: As Tangku is in Nationalist hands, this is questionable. 25X1A
17. The Soviets have destroyed the Yokohama undersea cable at the northern end of Nan San Shan Tso (See paragraph 1).
18. The Soviets are now operating about 300 steamboats, 500 having been destroyed by them. There are approximately 600 junks in operation. 70% of shipping is between Dairen and ports in North Korea. 15% of shipping is between Dairen and Chefoo.
19. About 50% of the trains, stations, and railroad material has been destroyed. There is no train service at night. Train guards are Soviet soldiers; train inspectors are Chinese Communist soldiers in civilian clothes, or staff (?) members. Administration in all stations is poor. There is a coal shortage. Railroad materials and ties are old. All of the good materials have been taken to North Korea by the Soviets. 3000 railway cars in good condition have been taken to the USSR; about 2500 in poor condition remain. 30 locomotives are left, the rest having been removed by the Soviets. ✓
20. In February 1947 food prices dropped in Dairen, rice being Tungpei \$90 per catty and corn Tungpei \$85 per catty. Prices for food have increased since then. 25X1A

[REDACTED] Note: As of March 1947 one Tungpei (Northeast Currency) dollar was equivalent to between 11.5 and 13 dollars Chinese National Currency. ✓

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